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# FARMERS' NEWSLETTER

## Feed Grains



September 81/F-19

### Near-Record Crop Prospects

#### Moderate Prices

With U.S. feed grain supplies next season likely to be around 7 percent larger than this year, prices will probably be somewhat lower. Here's a breakdown of prospective average farm prices in 1981/82:

- Corn may average \$2.70 to \$3.15 a bushel, compared with this season's estimated \$3.15;
- Sorghum, \$2.50 to \$2.90, compared with \$3 estimated for this year;
- Barley, \$2.35 to \$2.60, down from \$2.91;
- Oats, \$1.65 to \$1.85, versus \$1.82.

These are national averages--you can expect prices to vary considerably during the year with changes in demand, in the volume of marketings, and in prospects for 1982 crops here and abroad. So, the prices you get will depend to some extent on when you sell.

Also, local prices may be higher or lower than the national averages depending on how far you are from major markets, and other special circumstances.

### Larger Feed Grain Crops Expected

This year's corn crop may be the second largest on record. The August forecast is for about 7.73 billion bushels, up 16 percent from last year and exceeded only by the 1979 harvest.

Weather, of course, could still alter this outlook. But based on past events, chances are 2 out of 3 that the corn crop will not be more than 525 million bushels above or below the August forecast.

A corn crop of 7.73 billion bushels and a carryover of just over a billion bushels this fall would make a supply of 8.75 billion bushels for the year ahead, 6 percent more than this year's supply but 5 percent less than the record 1979/80 supply.

Following are prospects for other feed grain crops as of August 1. Chances are 2 out of 3 the harvest will fall within the ranges shown.

- Sorghum--forecast at 833 million bushels, up 42 percent from last year. Range: 780 to 890 million bushels.
- Barley--483 million bushels, up 35 percent. Range: 460 to 510 million bushels.
- Oats--522 million bushels, 14 percent more. Range: 495 to 545 million bushels.

Combined production of the four feed grains is forecast at about 236 million metric tons, almost a fifth larger than last year and smaller only than the 1979 harvest.

The Farmers' Newsletter is written and published by USDA's Economic Research Service and approved by the World Agricultural Outlook Board.

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The next feed grains newsletter is scheduled for early October.

## U.S. FEED GRAIN STOCKS TO RISE<sup>1</sup>

	1980/81 Estimated	1981/82 <sup>2</sup> Projected	Prob. variab. <sup>3</sup>
Area			
Planted	121.7	123.8	
Harvested	101.6	106.5	
Yield per harvested acre			
	1.95	2.21	
Beginning stocks			
Production	52.4	32.5	
Imports	198.2	235.7 ± 13	
Supply, total	.3	.3	
250.9	268.5 ± 13		
Feed			
Food, seed, and industrial uses	125.4	128.7 ± 10	
Domestic use, total	24.1	26.1 ± 1	
Exports	149.5	154.8 ± 10	
Use, total	68.9	72.8 ± 6	
218.4	227.6 ± 14		
Ending stocks, total			
Farmer-owned reserve	32.5	40.9 ± 10	
CCC inventory	4.1	3.0-11.6	
Free stocks	7.0	6.7	
	21.4	22.6-31.2	

<sup>1</sup> As of Aug. 13, 1981. Marketing year beginning October 1 for corn and sorghum, June 1 for barley and oats. <sup>2</sup> Includes mid-point of projected range for sorghum. <sup>3</sup> The "probable variation" reflects the root mean square error or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the range indicated.

Larger U.S. feed grain crops will account for most of the expected 5-percent increase in world production of coarse grains, which will provide for both an increase in world consumption and a modest buildup in stocks during 1981/82.

World coarse grain trade may be up 5 million tons from this season to a record 110 million metric tons. For U.S. farmers, who always supply the lion's share of world coarse grain trade, this points to record exports in 1981/82--probably around 73 million metric tons, nearly 6 percent more than this season.

U.S. carryover stocks of each of the four feed grains will likely be larger next season, with total feed grain stocks around 41 million metric tons at the end of the marketing year, up from 32.5 million estimated for this year. The corn carryover may be about 1.3 billion bushels, versus just over a billion expected on October 1, 1981.

## Expanded Use To Help Shore Up Prices

Domestic use of feed grains next season may total around 155 million metric tons, almost 4 percent more than the current level.

- Roughly 129 million metric tons will be fed to U.S. livestock and poultry, versus an estimated 125 million this year. This estimate assumes higher feeding rates this winter under more typical weather conditions than last year's unusually mild winter.

More will be fed to cattle, broilers, and turkeys, but less to hogs. Pork output will continue to decline well into 1982. An expected increase in wheat feeding, due to the record large crop this year, will moderate feeding of feed grains in some areas, especially in the grain-deficit Southeast.

- Food, seed, and industrial uses are likely to take a record 26 million metric tons, up 2 million tons from the all-time high projected for this year. Biggest gainer--corn going to make fuel alcohol and high fructose corn syrup.

## What To Watch Now:

- Check out forward contract opportunities. Now's a good time to find out what kind of arrangements are available in your area.
- Watch storage availability and costs. Estimates of U.S. crop production and movement of grain through marketing channels this summer suggest

the crunch on storage facilities during harvest will be no greater than usual.

- Consider CCC price support loans. Grain must be in approved storage facilities to be eligible for 9-month price support loans or for the farmer-owned reserve.

In States where sizable amounts of grain must be stored temporarily on the ground, State ASCS Committees are authorized to provide 90-day distress loans to farmers. The interest rate is 14-1/2 percent, the same as for regular 9-month loans and for the first year of reserve loans. With distress loans, however, borrowers cannot forfeit grain in lieu of repaying principal and interest. Check with your county ASCS office for details.

#### Figure the Cost of Holding Grain For Later Sale

Compare the interest you are paying for loans, any off-farm storage charges on the grain you are holding, and the returns you could earn from investing cash obtained by selling grain now. Next, estimate how long you expect to hold the grain and the price you could sell it for then. This will give you some idea whether it will pay you to hold grain and for how long.

For example, suppose you could sell your corn for \$3 a bushel at harvest but think you probably could get a higher price about 4 months later. If you put it under price support loan to get some ready cash, how much would prices have to rise in 4 months to make storage pay off?

The CCC interest rate is 14-1/2 percent now, but will be adjusted on October 1 and April 1 to reflect the cost of borrowing money from the U.S. Treasury. The national average loan rate on regular 9-month loans for 1981 corn is \$2.40 per bushel; the rate in your county may differ by a few cents. For

#### CORN PRICES CONTINUE ABOVE A YEAR AGO

\$ per bu.

4.00

3.50

3.00

2.50

2.00

1.50

Chicago no. 2 yellow  
daily cash high-low

U.S. farm

Loan rate

1978/79      1979/80      1980/81

Year beginning October

illustration, let's use the 14-1/2-percent rate and the \$2.40 loan rate.

Also, let's assume that if you sold corn for cash at harvest rather than putting it under loan, you put the receipts in the money market where you earn, say, 16 percent interest.

1) Figure the amount of interest per month per bushel that you are forfeiting by putting corn under loan at \$2.40 instead of selling it for \$3.

$$\frac{0.16}{12 \text{ mos.}} \times (\$3 - \$2.40) = 0.8\text{¢ per bu.}$$

2) Figure the monthly interest you pay on the CCC loan:

$$\frac{0.145}{12 \text{ mos.}} \times \$2.40 = 2.9\text{¢ per bu.}$$

Your total monthly cost per bushel for keeping corn under CCC loan--and assuming you store it in your own facilities--works out to 3.7¢ a bushel ( $0.8\text{¢} + 2.9\text{¢} = 3.7\text{¢}$ ).

In this example, prices would have to rise by 3.7 cents a month to make returns from holding corn under loan

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equal to returns from selling it at harvest for \$3. Therefore, to come out even, you would have to expect corn prices to reach \$3.15 a bushel in the 4 months you delayed selling.

If you have to pay storage charges for corn held under loan, say 30 cents per bushel per year, you would have to add this in figuring your alternatives:

$$\frac{30\text{¢}}{12 \text{ mos.}} = 2.5\text{¢} \text{ per bu. per month}$$

$$3.7\text{¢} + 2.5\text{¢} = 6.2\text{¢} \text{ per bushel}$$

In this example, corn prices would have to rise by 6.2 cents per month for you to come out even. In 4 months' time, corn would have to sell for \$3.25.

In weighing your options, you should also consider how much your State and Federal income taxes would be reduced

by deductions for interest paid on CCC loans and commercial storage. Also consider how much your taxes would be increased by interest earned on cash from grain sold at harvest.

## New CCC Corn, Sorghum Pricing Policy Put in Place

On July 17, USDA announced a new policy for selling CCC stocks of corn and sorghum. To avoid market disruptions, only a portion of the stocks will be sold at minimum sales prices, which will be calculated at 115 percent of the county loan rate plus carrying charges for interest, storage, and handling. While minimum sales prices will vary by location, the national average minimum sales prices will be \$3.13 per bushel for corn and \$3 for sorghum.

Bids for additional amounts will be accepted at higher prices, or at later dates. This pricing strategy will let the market determine how much and where grain will be sold.

The new policy allows the CCC to accept bids as small as 1,000 bushels. This will help farmers, particularly farmer-feeders, to bid for CCC offerings. Contact your ASCS office for further information.



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